

**REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL  
PARLIAMENT AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND  
PERFORMANCE INFORMATION OF THEEWATERSKLOOF MUNICIPALITY FOR  
THE YEAR ENDED 30 JUNE 2008**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying financial statements of Theewaterskloof Municipality which comprise the balance sheet as at 30 June 2008, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages xx to xx.

**Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with an entity-specific basis of accounting, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

**Responsibility of the Auditor-General**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but

not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
- appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Basis of accounting**

8. The municipality's policy is to prepare financial statements on an entity-specific basis of accounting, as set out in accounting policy note 1.

#### **Opinion**

9. In my opinion the financial statements of Theewaterskloof Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended have been prepared, in all material respects, in accordance with the basis of accounting as set out in note 1 to the financial statements and in the manner required by the MFMA and DoRA.

#### **Emphasis of matters**

Without qualifying my audit opinion, I draw attention to the following matters:

#### **Fruitless and wasteful expenditure**

10. As disclosed in note 31 to the financial statements, fruitless and wasteful expenditure to the amount of R42 933 was incurred as a result of legal fees having been paid to reverse land sales relating to the 2005 financial year.

#### **Restatement of corresponding figures**

11. As disclosed in accounting policy notes 3 and 6 to the financial statements, assets which were previously written off in the prior period were brought back onto the fixed asset register in the current year figures as part of the preparation for the implementation of the Standards of Generally Accepted Municipal Accounting Practice.

#### **OTHER MATTERS**

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

## Matters of governance

12. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
<b>Audit committee</b>		
• The municipality had an audit committee in operation throughout the financial year.	■	
• The audit committee operates in accordance with approved written terms of reference.	■	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	■	
<b>Internal audit</b>		
• The municipality had an internal audit function in operation throughout the financial year.	■	
• The internal audit function operates in terms of an approved internal audit plan.		■
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		■
<b>Other matters of governance</b>		
• The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.	■	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.		■
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		■
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	■	
• The prior year's external audit recommendations have been substantially implemented.	■	
<b>Implementation of Standards of Generally Recognised Accounting Practice (GRAP)</b>		
• The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.	■	
• The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.	■	
• The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.	■	

### **Unaudited supplementary schedules**

13. The supplementary schedules set out on pages xx to xx of the financial statements do not form part of the financial statements and are presented as additional information. These schedules have not been audited and accordingly, no opinion is expressed thereon.

### **OTHER REPORTING RESPONSIBILITIES**

#### **REPORT ON PERFORMANCE INFORMATION**

14. I have reviewed the performance information as set out on pages xx to xx.

#### **Responsibilities of the accounting officer**

15. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

#### **Responsibility of the Auditor-General**

16. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
17. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
18. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

#### **Audit findings (performance information)**

#### **Non-compliance with regulatory requirements**

#### **Lack of reporting on all predetermined objectives in annual report**

19. While the municipality has prepared an annual performance report in terms of section 46 of the MSA and included it in its annual report, as required by section 121(3)(c) of the MFMA, I draw attention to the fact that the municipality has not reported on all the predetermined objectives, as required by section 46(1)(b) of the MSA.

In this regard, the performance information system was not yet fully implemented and so the information presented in the annual report was brief, focused mainly on finance and did not provide sufficient information relating to operations and development. The reported performance information did not include targets, actual performance, explanations for inadequate performance or corrective action to be taken.

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#### **Internal auditing of performance measurements**

20. The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes, as required in terms of section 45 of the MSA.

#### **APPRECIATION**

21. The assistance rendered by the staff of Theewaterskloof Municipality during the audit is sincerely appreciated.

*Auditor-General*

Cape Town

30 November 2008



AUDITOR-GENERAL